

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 4 (Third Edition)

SHORT TITLE: No N.C. Exchange/No Medicaid Expansion.

SPONSOR(S): Senators Rucho, Apodaca, and Brown

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Fund Revenues:	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
General Fund Expenditures:	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
Special Fund Revenues:	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
Special Fund Expenditures:	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
State Positions:					
NET STATE IMPACT	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
Local Impact					
Revenues:	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
Expenditures:	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
NET LOCAL IMPACT	Fiscal impact cannot be determined. See Assumptions and Methodologies.				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Department of Health and Human Services, Department of Insurance, Office of Information Technology Services					
EFFECTIVE DATE This bill is effective when it becomes law.					
TECHNICAL CONSIDERATIONS:					
Yes - See Technical Considerations Section					

BILL SUMMARY: In this version of Senate Bill 4 (S.B. 4), No N.C. Exchange/No Medicaid Expansion, the General Assembly reserves the authority to define the State’s level of interaction, if

any, with the federally facilitated Health Benefit Exchange that will operate in North Carolina. Agencies, departments, and institutions cannot enter any contracts or commit any resources for the provision of any services related to the federally facilitated Health Benefit Exchange without authorization from the General Assembly. The Department of Insurance and the Department of Health and Human Services (DHHS) are directed to cease all expenditures funded by Exchange-related grants, but this version allows the Departments to draw down grant funds to reimburse the State for any unpaid expenditures allowed under the grants. The Department of Insurance is also directed to notify the Secretary of the United States Department of Health and Human Services that the State will no longer be drawing down Exchange-related grant funds, but not to impact grant funding for premium review.

DHHS is directed to ensure that the North Carolina Families Accessing Services through Technology (NC FAST) information system can provide Medicaid eligibility determinations for the federally facilitated Health Benefit Exchange that will operate in North Carolina. If the State can identify an amount not to exceed \$5 million in matching funds from prior appropriations for NC FAST, then the Department is directed to seek available 90/10 Medicaid funding to support NC FAST's Medicaid eligibility determinations for the federally facilitated Health Benefit Exchange.

The bill also prohibits expansion of the State's Medicaid eligibility. It does not allow any department, agency, or institution of the State to expand Medicaid eligibility standards without General Assembly direction.

The bill is effective when it becomes law.

ASSUMPTIONS AND METHODOLOGY:

Office of Information Technology Services

At the request of DHHS, the Office of Information Technology Services (ITS) has purchased equipment in the amount of \$8,062,732 to support the implementation of a federally facilitated Exchange. ITS must either be reimbursed for this equipment or adjust their rates to all agencies to recover the costs associated with the equipment purchase.

Department of Health and Human Services

This fiscal analysis does not assume any loss of increased Federal Medical Assistance Payment receipts authorized under the federal Affordable Care Act for expanded eligibility to certain income-level eligible individuals for Medicaid coverage given that the General Assembly has not to date authorized in law expanded coverage under the State's Medicaid program.

North Carolina Families Accessing Services through Technology (NC FAST)

DHHS estimates the cost to develop an interface with the federally facilitated Health Benefits Exchange at \$45.7 million. They anticipate spending \$23.2 million during fiscal year 2012-2013, with the balance being expended the following year.

Expenditures by month are shown in the chart below:

Monthly Summary of Costs								
Category	Dec-13	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	TOTAL
Staffing								
Accenture		\$175,582	\$796,096	\$1,375,416	\$1,610,768	\$1,663,568	\$1,718,616	\$7,340,046
State Employees		\$17,933	\$91,405	\$132,574	\$132,574	\$132,574	\$132,574	\$639,635
State		\$33,600	\$187,200	\$384,000	\$384,000	\$393,600	\$393,600	\$1,776,000
Curam		\$48,000	\$348,000	\$720,000	\$720,000	\$720,000	\$720,000	\$3,276,000
Staffing Total		\$275,115	\$1,422,701	\$2,611,990	\$2,847,342	\$2,909,742	\$2,964,790	\$13,031,681
Miscellaneous								
Rent, Chairs		\$58,404	\$58,404	\$58,404	\$58,404	\$58,404	\$58,404	\$350,424
Miscellaneous		\$58,404	\$58,404	\$58,404	\$58,404	\$58,404	\$58,404	\$350,424
Purchases (PO has been issued for ALL the Below)								
ITS	\$8,062,732							\$8,062,732
PC's	\$51,650							\$51,650
PC Software	\$34,871							\$34,871
Oracle		\$1,625,040						\$1,625,040
Purchases Total	\$8,149,252	\$1,625,040	\$0	\$0	\$0	\$0	\$0	\$9,774,292
Totals	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398

State funding requirements to support these expenditures can vary, depending on a number of factors:

- Whether or not the State is allowed to draw down grant funds from previously awarded grants to cover expenditures that DHHS has already made. These include all of the items shown as purchase orders in the preceding chart. The Office of Information Technology Services has already purchased these items for DHHS.
- Whether the State is allowed to use the all of the previously awarded grants to fund the interface, only allowed to use grant funds for expenses incurred prior to the passage of this bill, or not allowed to use any of the grant funding.
- Whether or not the State is able to obtain federal support for 90 percent of the cost through the Centers for Medicare and Medicaid Services (CMS). If CMS agrees to fund 90 percent of the project as part of its Medicaid eligibility determination funding for NC FAST, the State will only need to fund ten percent of the cost.
- If the State can obtain a 90/10 federal/State match from CMS, whether or not CMS will allow the State to make the funding retroactive to December, the month during which the State first began incurring expenses related to the interface.
- If the State can obtain a 90/10 federal/State match, how quickly the State can submit the Advance Planning Document Update (APDU) to CMS. Once the document is submitted, CMS has 60 days to approve the document or ask further questions.

The chart below shows the costs associated with each of these scenarios.

Options for Funding (Based Upon Assumptions as Noted)								
<i>Category</i>	<i>Dec-13</i>	<i>Jan-13</i>	<i>Feb-13</i>	<i>Mar-13</i>	<i>Apr-13</i>	<i>May-13</i>	<i>Jun-13</i>	<i>TOTAL</i>
<u>Assumes Access to 100% Exchange Grant</u>								
100% Exchange Funding					\$2,905,746	\$2,968,146	\$3,023,194	\$8,897,086
State Funding Required	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394				\$14,259,311
Totals	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398
Since the federal government has already approved the Exchange grant , DHHS will be able to be reimbursed by DOI for state expenses incurred for December through March , which would total \$14,259,311 .								
<u>Assumes Funded Partially with 100% Exchange Grant and Partially with New Federal 90/10% Grant</u>								
Federal							\$2,720,875	\$2,720,875
State Funding Required	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$302,319	\$20,435,523
Totals	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398
Since the federal government has already approved the Exchange grant , DHHS will be able to be reimbursed by DOI for state expenses incurred for December and January which would total \$9,774,292 . Additionally, within the APDU for the new Federal 90/10 , DHHS will seek approval to receive federal funding retroactive to January . This retroactive period is typically allowed, however they are not guaranteed to receive approval for this. Assuming the feds approve the request for retroactive funding to January , the state would be reimbursed 90% of the expenditures from January through May , which would total \$9,323,020 .								
<u>Assumes No Funding from the 100% Exchange Grant and Fully Funded with the New Federal 90/10% Grant</u>								
Federal							\$2,720,875	\$2,720,875
State Funding Required	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$302,319	\$20,435,523
Totals	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398
Within the APDU for the new federal 90/10 Grant , DHHS will seek approval to receive federal funding retroactive to December . This retroactive period is typically allowed, however they are not guaranteed to receive approval for this. Assuming the feds approve the request for retroactive funding to December , the state would be reimbursed 90% of the expenditures from December through May , which would total \$18,119,883 .								
<u>Assumes 100% State Funding</u>								
State Funding Required	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398
Totals	\$8,149,252	\$1,958,559	\$1,481,105	\$2,670,394	\$2,905,746	\$2,968,146	\$3,023,194	\$23,156,398

Department of Insurance

State-Based Exchange

Session Law 2011-391 directed the Departments of Insurance and Health and Human Services to collaboratively plan for the implementation of the federal Affordable Care Act. As lead agency, the Department of Insurance (DOI) applied for and received two planning grants totaling \$13,396,018 to plan for a state-based exchange system to implement the federal law.

As of January 2013, \$8.3 million had been spent or encumbered from the two planning grants. Approximately \$5 million remained unspent. Much of these expenditures were in contractual agreements with consultants engaged in analyses and planning for a state-based exchange system, for the Department of Health and Human Services, and the NC Institute of Medicine. Additionally, there are nine filled time-limited positions paid for out of these grants.

In addition, a third grant was applied for in November 2012 and notification of award has been received totaling \$73.5 million; as of February 1, 2013, contracts have not been executed for this grant. This grant application to the federal government contained an accompanying letter from Governor Perdue stating the anticipated exchange model for 2014 was for a State Partnership

Exchange and further restated the intent of the state was “to establish and operate a state-based health benefits exchange...” It is not known at this time whether any of these funds will be available for North Carolina if the State decides to opt for a federally facilitated Health Benefits Exchange.

SOURCES OF DATA: Office of State Budget and Management, Department of Health and Human Services, Department of Insurance

TECHNICAL CONSIDERATIONS:

1. These estimates depend on the accuracy of DHHS’s determination of the scope of the effort required to develop the interface with the federally facilitated Health Benefit Exchange.
2. Current NC FAST operations and maintenance cost projections may not cover the additional support requirements created by the addition of the interface.

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